

September 19, 2001



REVPAR
INTERNATIONAL

510 King Street
Suite 420
Alexandria, VA 22314
Phone: (703) 838-9707
Fax: (703) 838-9712

Mr. Peter Craig
Contracting Officer's Representative
USACFSC – Business Programs Lodging
4700 King Street
4th Floor
Alexandria, VA 22302-4402

Dear Mr. Craig:

In accordance with our contract, REVPAR International has completed our Category 4 Project Validation Assessment at Fort Wainwright, Alaska in regard to official lodging demand verification.

The entire study and its conclusions are based upon our present knowledge and information obtained from Army Lodging, as well as that obtained during our May 2001 site visit. Subsequent to our initial analysis, we reviewed FY1996 through FYTD August 2001 data. Based on this additional data, we prepared an alternative scenario which recommends consideration of a waiver to the 90 percent Core Official Lodging Requirement rule at Fort Wainwright. All data provided by Army Lodging and/or Fort Wainwright is assumed to be accurate and true, unless otherwise noted.

As in all studies of this type, the conclusions reached do not take into account, or make provisions for, the effect of any sharp rise or decline in local or general economic or political conditions not presently foreseeable. Any estimated results are based on competent and efficient management of the lodging facility, presently and prospectively, comparable to Army Lodging Standards. Any projections are based on estimates and stated assumptions, which are inherently subject to uncertainty and variation, depending upon evolving events; accordingly we do not represent them as results that will actually be achieved.

We have no obligation, unless subsequently engaged, to update this study or revise the estimated results because of events and transactions occurring subsequent to the receipt of the requested information.

This study has been prepared for your use and guidance in assessing the Core Official Lodging Requirement at Fort Wainwright, as defined for this project at the onset.

We would be pleased to hear from you if we can be of further assistance in the application and/or interpretation of our findings and conclusions. We appreciate the opportunity to be of service to you, and look forward to hearing from you soon.

Sincerely,
REVPAR International, Inc.

(signed)

EXECUTIVE SUMMARY

Current Lodging Inventory

Guest rooms at Fort Wainwright are contained in six multi-unit buildings (Buildings 1045, 1063, 4056, 4062, 4063, and 4064). A detailed unit breakdown of the current lodging supply at Fort Wainwright is included on Chart 1 in the Addenda.

The number of official lodging rooms inventory at Fort Wainwright was 126 units from FY 1998 through FY 2000. In March 2001, the number of units in Building 4056 was reduced from 27 to 12 as part of a complete renovation in order to eliminate its status as inadequate. Separately, a total of eight units were taken out of inventory in Buildings 1045, 4062, and 4063. Subsequent to the renovation of Building 4056 and the reduction in inventory in other facilities, the official room count is now 103.

Essentially, the room count includes 16 single rooms at approximately 240 square feet, 52 two-room suites at approximately 469 square feet, 33 two-room suites with kitchenettes measuring approximately 400 to 600 square feet, and two DVQ multi-room suites encompassing 1,024 square feet. Building 4056, which contains 12 suites, is set aside to accommodate guests who travel with pets. Lodging administration is located at Building 1045, which is known as Murphy Hall. As of January 2000, the front desk began operating 24 hours per day, seven days per week.

Historical Utilization and Occupancy

The following table summarizes the volume of official room night demand occurring at Fort Wainwright over the past three and a half fiscal years.

HISTORIC LODGING UTILIZATION AND OCCUPANCY							
Official Lodging	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FYTD 2000 ⁽¹⁾	FYTD 2001 ⁽¹⁾
Daily Rooms Inventory	126 ⁽²⁾	126 ⁽²⁾	126	126	126	126	113 ⁽³⁾
Annually Rooms Inventory	45,990	45,990	45,990	45,990	45,990	42,210	37,855
Occupied Room Nights	25,908	27,599	28,561	23,979	24,169	21,072	27,661
Occupancy Percent	56.3%	60.0%	62.1%	52.1%	52.6%	49.9%	73.1%
% Change in Demand	--	6.5%	3.5%	-16.0%	0.8%	---	31.3%
Notes: ⁽¹⁾ YTD October – August (11 months) ⁽²⁾ Daily room inventory is assumed to be 126. ⁽³⁾ Daily room inventory in FY2001 was 126 until March 2001, at which time it decreased to 103.							
Source: Fort Wainwright Lodging Administration; Compiled by REVPAR International, Inc.							

Official room demand showed a decline of 6.7 percent over the five-year period, FY1996 through FY2000. It appears as though demand at the installation is cyclical and peaks every third year, primarily a result of increases in PCS demand during that year. This coincides with the transfer in and out of troops on a two-year tour at the installation. Occupied room night demand in FYTD 2001 through August is up 31 percent compared to the same period in FY 2000; again, this is attributable to increase in PCS room nights. Charts 2, 3, and 4 in the Addenda show further breakdowns of the foregoing.

For the five-year period, FY1996 through FY2000, occupied rooms on any given night averaged 71 rooms. Over the most recent rolling 12 month period (September 2000 through August 2001), the average number of occupied rooms increased to 84 per night, again reflecting the increase in PCS demand during this cycle period.

MARKET SEGMENTATION

Overall market segmentation for FY2000, the most recent full fiscal year, is estimated at 35 percent TDY, 44 percent PCS, and 21 percent Unofficial demand. The following table summarizes key characteristics of each official demand segment based on interviews with lodging personnel at Fort Wainwright.

MARKET SEGMENTATION		
	TDY	PCS
% Of Total Demand	35%	44%
Market Segmentation		
Individuals	100%	> 10%
Families	0%	< 90%
Average Length of Stay (Days)	9-10	14
14 days or less	45%	0%
More than 14 days	55%	100%
Source: Fort Wainwright Lodging Administration, compiled by REVPAR International, Inc.		

(Official) Temporary Duty Personnel (TDY)

- Principal sources of TDY include troops training on post for Arctic Warriors, Northern Edge and ROTC (estimated at 60 percent of all TDY demand), and military/civilian official guests (estimated at 40 percent of all TDY demand).
- TDY demand has been fairly stable over the past three years, ranging from 9,040 to 9,956 room nights.
- Average length of stay is around six to eight days based on weighted average contribution of short and long term stays.

(Official) Permanent Change of Station (PCS)

- Principal sources of PCS demand include individuals transferring in and out, which has occurred during various seasons throughout the previous three years.
- There were 17,596 room nights of PCS demand in FY 1998, 12,932 in FY 1999 and 11,844 in FY 2000. For FYTD 2001 (through August) there were 15,502 room nights of PCS demand compared to 10,067 for the prior period.

(Official) Certificates of Non-Availability (CNA)

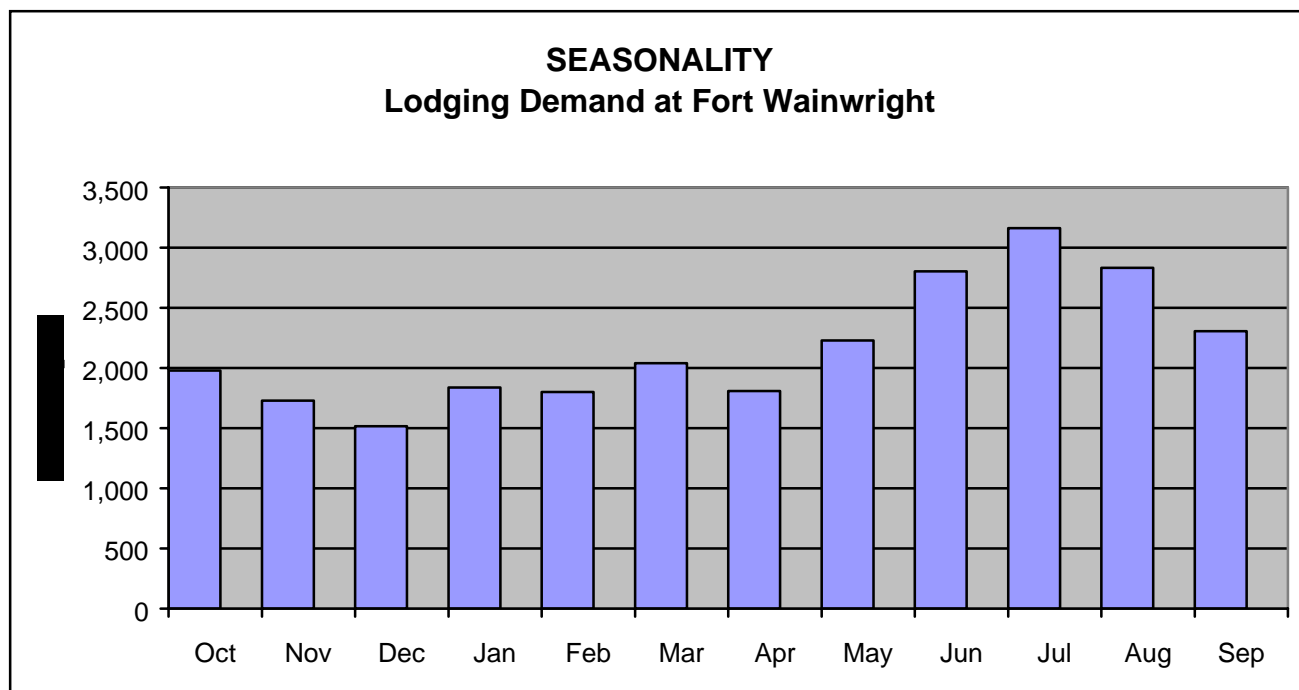
- According to lodging management, 95 percent of CNAs (unaccommodated demand) occur due to no rooms available in any category and 5 percent because of no room in appropriate size category for families. The majority of CNA demand typically occurs during the summer months.
- Over the past few years, CNA room night volume has fluctuated between 1,100 and 2,800 room nights annually.

Unofficial Demand

- This demand segment consists of visitors to the post hospital, as well as retirees, tourists and shoppers. Hospital visitors comprise 5 percent of unofficial demand while the balance consists of tourists, shoppers, and retirees.
- Unofficial demand has fluctuated within a fairly tight range over the past three fiscal years, or between 5,800 and 6,600 room nights
- Unofficial demand is not included in our projections or recommendations.

Seasonality (Based on Five-Year Averages)

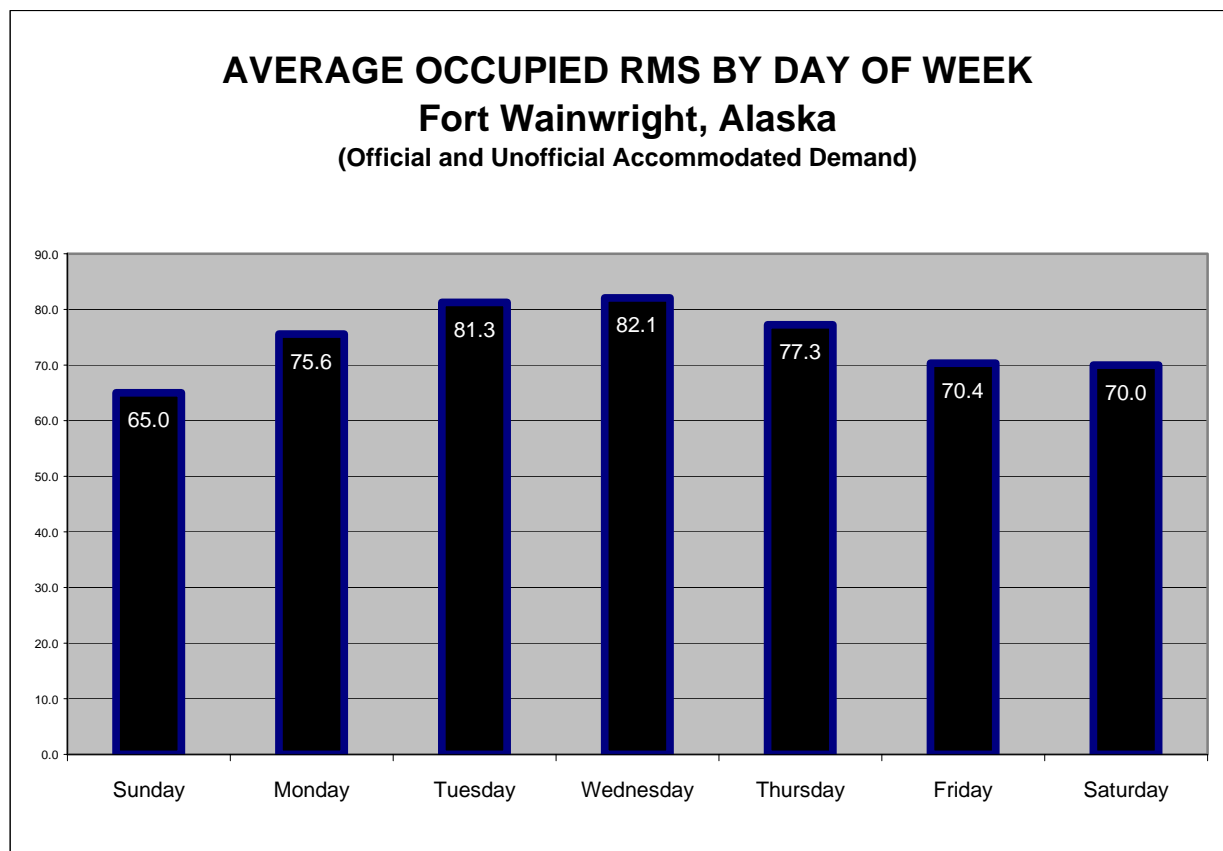
Monthly demand patterns over the past five fiscal years at the installation have been inconsistent whereby no distinct pattern emerges relative to seasonality, as illustrated in Chart 3 in the Addenda. For instance, in FY 1998 and FY 2000, peak demand occurred during summer months; in FY 1999, there was lower summer demand yet high winter demand. Historically there has been higher summer and winter demand in alternating years. This irregular seasonality is occurring once again. On average however, the higher demand months tend to be June through October as indicated in the table below. In FYTD 2001, which includes October through August, demand increased 32.6 percent. The following illustrates the seasonality of the five-year average, which indicates peak demand typically occurs during the summer months on average.



Note: Based on five-year average.

Day of Week Demand Trends

Analysis of daily demand patterns indicates that the majority of demand occurs Monday through Thursday. However, demand does not drop off significantly on the weekends due to the average length of stay of many guests, which may be up to two weeks or more. The following chart depicts average occupied rooms by day of week, based on a 12-month sampling of records from FY 2000.



Please note that occupied rooms by day of week includes unofficial demand.

Future Growth of Room Night Demand

Based on our review of available information and interviews with post representatives, room night demand at the post is likely to increase moderately in future years for several reasons.

In terms of PCS demand, a review of base population reports and Army Stationing and Installation Plan (ASIP) data indicates that the post population overall is expected to increase moderately over the next three years. At the same time, there is a \$20 million permanent party housing project under development to house existing and future troops. Both of these actions indicate that the population and consequently PCS demand should increase over the next few years. According to Fort Wainwright representatives, the number of in and out-bound PCS will increase to 756 and 724, respectively, this year which represents approximately 18,000 room nights in 2001. This level of PCS demand is similar to the levels experienced during FY 1998. Over the past three years, PCS demand averaged about 14,000 room nights. Again, PCS demand appears to be cyclical, with increase every third year coinciding with length of tours.

Additionally, Fort Wainwright has been selected as a future location for an Interim Brigade Combat Team (IBCT) in Alaska. Based on our interviews and review of data, we estimated a growth rate of approximately six percent for all PCS and TDY demand over FY2001 associated with the IBCT transformation mission.

During the installation visit, post commanders also commented on the potential growth in lodging demand as a result of the transition of Fort Greeley, Alaska. At this time, no decision has been made concerning the future disposition of Fort Greeley, and Fort Wainwright has seen no significant impact on official lodging demand attributable to Greeley. Specific to an April 30, 2001 memorandum regarding the contingency planning for Facilities at Fort Greeley, Alaska, the U.S. Army Pacific and the U.S. Army Space and Missile Defense

Command are entering into a Memorandum of Agreement that would complete a Warm Basing Initiative at Fort Greeley, AK on behalf of and in support of the National Missile Defense (NMD) Joint Project Office activities at Fort Greeley. As such, all required actions to preserve the future NMD use are slated to be implemented no later than September 2001. While the facilities portion of this transition appears complete, the future course of action has yet to be finalized.

In light of the foregoing factors, we have applied a six percent growth factor to the FY2001 room night demand levels to account for potential increases in room night demand going forward.

SUMMARY AND RECOMMENDATIONS

- Post population is expected to increase moderately according to ASIP data and following a \$20 million permanent party housing project that is currently under development.
- PCS demand is cyclical and peaks every three years.
- TDY demand has remained fairly stable during the last three fiscal years.
- Due to anticipated IBCT-related TDY and PCS room night demand, we have applied a six percent growth rate to FY2001 levels of PCS and TDY demand.
- The impact on room night demand from the transition of Fort Greeley has not been directly factored into our estimates since these actions have yet to be finalized.
- Average length of stay is 6 to 8 days for TDY and 14 days for PCS, which suggests that kitchen facilities should be provided in most units.

Core Official Lodging Requirement

- 90 units = Core Official Lodging Requirement (COLR)
- Proposed unit mix:
 - 30 Standard hotel rooms with 12 kings and 18 double/double queens
 - 60 Extended-stay suite units – 15 studios, 45 one-bedrooms with kitchenettes and sitting/living areas.

Given the increased lodging demand occurring during the peak summer months, as well as the unique requirements at Fort Wainwright, further market review outside the parameters set out in this study may be warranted. Specifically, we believe the 90 percent Core Official Lodging Requirement should be waived for Fort Wainwright for the following reasons:

- the remote and isolated environment at Fort Wainwright;
- the seasonal nature of room night demand at Fort Wainwright associated with winter training exercises and PCS;
- the applicability of an appropriate number of guest units to meet a majority of this demand as opposed to incorporating inordinately low seasons into the calculation of total number of supportable units;
- the limited availability of alternate off-post accommodations; and
- the cost comparison between off-post room rates and on-post room rates.

Based on the above reasons, we recommend that the property be sized to reflect roundly 90 rooms, based on accommodating 100 percent Core Official Lodging Requirement (see Chart 5 in the Addenda).

Addenda

(Please refer to attached Excel file)

1. Lodging Inventory (Room Types)
2. Summary of Average Lodging Demand (FY 98 – FY 01)
3. Chart of Official Room Night Demand
4. Chart of Average Daily Room Night Demand by Month
5. COLR Summary Worksheet